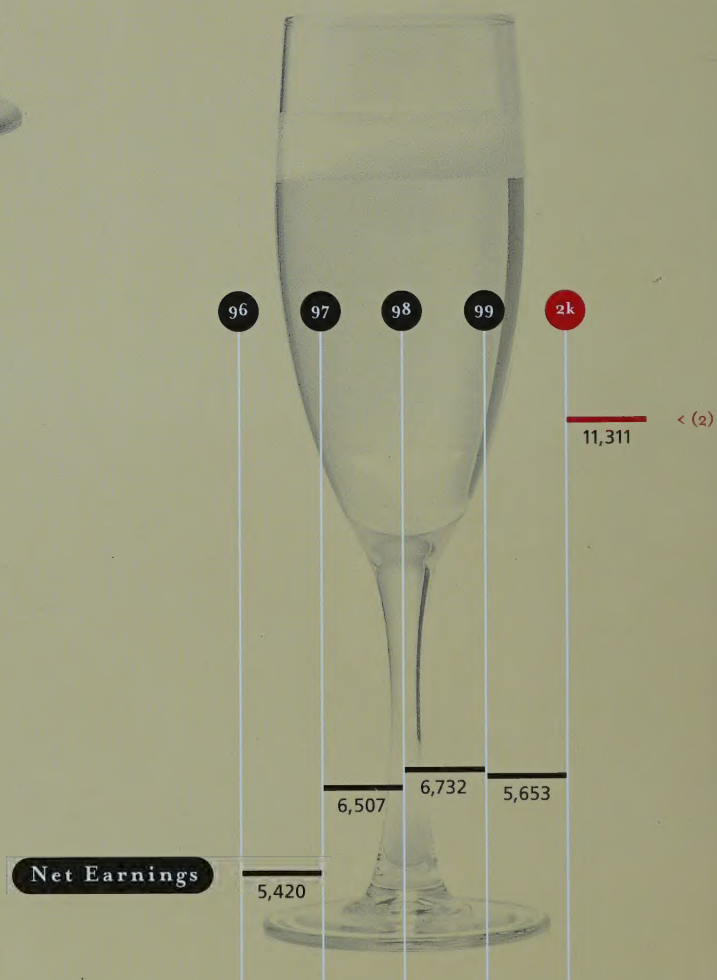
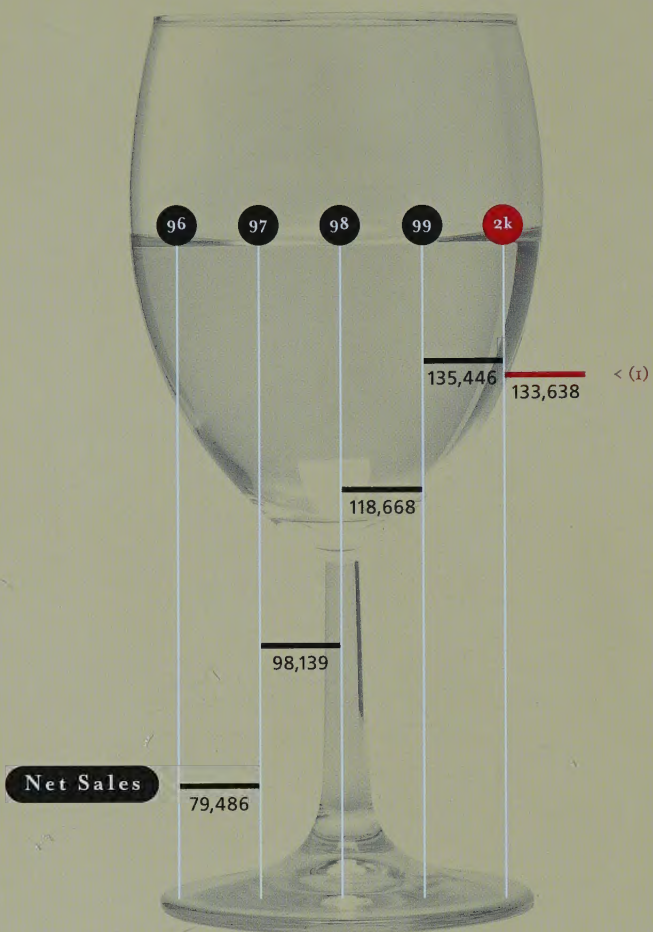


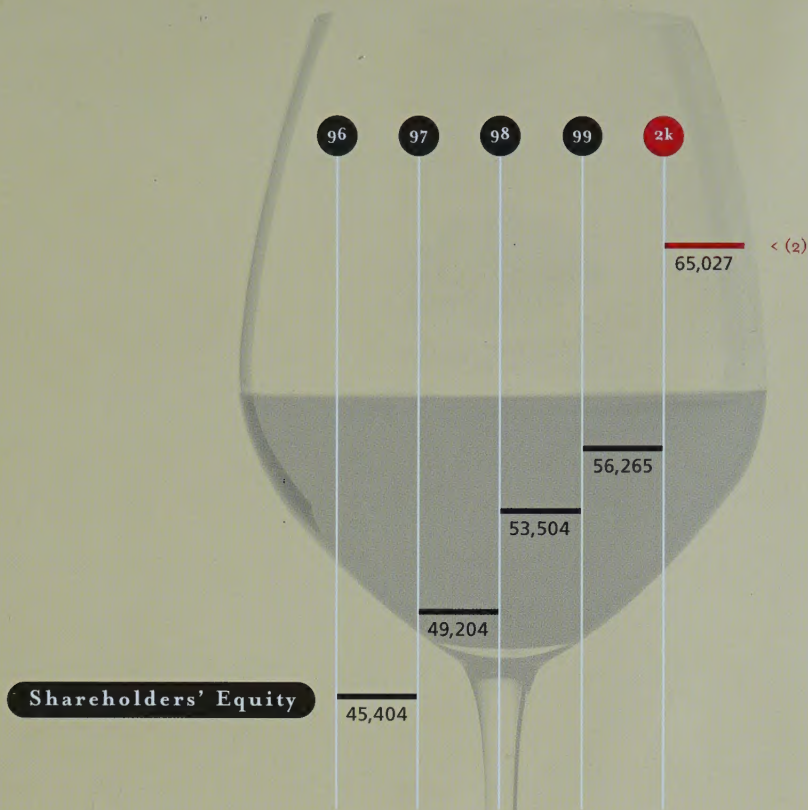
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University of Alberta
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Edmonton, Alberta T6G 2R6

[2000 ANNUAL REPORT]

ANDRÉS WINES LTD.

Quality in everything we do.





Shareholders' Equity

For the years ended March 31, in thousands of dollars except for share amounts		Highlights	
		2000	1999
	Sales and earnings		
(1) >	Net sales	\$ 133,638	\$ 127,146
	Earnings before interest, income taxes and unusual item	12,729	706
(2) >	Net earnings	11,311	653
	Financial position		
	Working capital	\$ 23,467	\$ 115
	Total assets	126,232	120,063
	Shareholders' equity	65,027	56,265
	Per share		
	Earnings		
(2) >	Basic	\$ 2.39	\$ 2.20
(2) >	Fully diluted	\$ 2.29	\$ 2.18
	Dividends		
	Class A shares, non-voting	\$.644	\$.644
	Class B shares, voting	.560	.60
(2) >	Shareholders' equity	\$ 13.73	\$ 12.97
	Market value		
	Class A – high	\$ 16.75	\$ 17.00
	– low	11.80	11.25
	Class B – high	18.00	14.00
	– low	11.00	15.10
	Analytical information		
	Return on average shareholders' equity	10.5%	10.3%
	Return on average capital employed	11.8%	12.5%
	Ratio of current assets to current liabilities	1.6:1	1.5:1

(1) > Includes two months net sales of Quebec operations, sold May 31, 1999.

(2) > Includes gain of \$5.2 million from sale of Quebec winery.



CORPORATE PROFILE

Andrés Wines is a leading producer
of quality wines in Canada

Andrés Wines is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Alberta, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan Valley and vineyards around the world.

The Company's award-winning premium Peller Estates and Hillebrand Estates brands complement its popular-priced products including Hochtaler, Domaine D'Or, Franciscan and Similkameen. With a focus on serving the needs of all wine consumers, the Company also produces and markets wine kit products from Brew King and Vineco International.

The Company owns The Wine Shoppe, an independent wine retailer in Ontario with more than 100 stores. Andrés' common shares trade on the Toronto Stock Exchange (symbols ADW.A and ADW.B).

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Report to Shareholders



Consumption of wine continues to grow in Canada, and during fiscal 2000 we undertook a number of steps to build on our market share and provide our customers and consumers with the highest-quality products at the best possible prices. Our ongoing focus on the premium wine consumer, combined with increased sales of our ever-popular table wines and our leading presence in the home winemaking business, led to improved market share and solid financial performance.

We continued to grow our share in each of the key Ontario, British Columbia and Atlantic Canada markets, while we held our own in the prairie provinces. Overall, our 4.8% growth in sales surpassed the 4.5% increase in the total Canadian market. We are particularly proud of these results, as the share of the domestic market held by Canadian-made wines actually fell by approximately 1% in the year due to the increase in sales of low-priced imported products. Faced with this increased competition, our market share growth is very gratifying and is a testament to our quality and price competitiveness.

Our focus on the premium and ultra-premium markets also resulted in good performance. Volume sales of our premium Peller Estates brands rose almost 13%, while our ultra-premium Trius and Collectors' Choice experienced growth in excess of 61% compared to last year. Our value-priced brands also performed well as Hochtaler and Domaine D'Or remain among the most popular white wines in the country.

Andrés also benefited from the strong consumer acceptance of our new Vineyard Mist brand. Andrés' re-entry into the refreshment category was our most successful product launch to date. We have recently introduced a sister product, Frostbite, and anticipate similar sales growth for this unique brand through the coming summer season.

Our home winemaking operations, Vineco and Brew King, continue to lead the business in terms of quality and value, and produced another year of increased sales and returns on investment in fiscal 2000.

A number of additional accomplishments occurred during the year that bode well for continued growth in market share and profitability.

Our Wine Shoppe retail network produced modest growth in both volumes and profits in fiscal 2000. For the past two years aggressive sales and marketing tactics by the Liquor Control Board of Ontario have negatively impacted the contribution made by this important trade channel. However, these improved results indicate that our strategies to provide consumers with a high-quality and convenient shopping experience have mitigated the impact of the LCBO's Sunday openings, store relocations and marketing programs. During the year we invested in a point-of-sale system to ensure that all retail locations stock the most appropriate brands and inventory levels.

To further enhance our strong presence in the premium wine market, we opened a new store in the heart of Niagara-on-the-Lake, Canada's prime destination for wine connoisseurs. Focused on showcasing all of our exclusive premium and ultra-premium products, it offers wine lovers a superior shopping environment and builds on our position as Canada's leading producer of VQA wines.

We have also begun construction of the new Peller Estates winery, Canada's newest estate wine destination. Once completed, Peller Estates will offer visitors an expanded offering of ultra-premium red wines, educational tours and fine dining. We are currently on-target to complete the project in time for the spring of 2001.

We continue to invest in winemaking equipment, oak barrels and vineyards, the result of our uncompromising commitment to quality in everything we do. By planting and cultivating our own grapes, we are enhancing our ability to meet the growing demand for red varietal wines in all our markets. Currently we are selling all of the VQA red wine we can produce. With our own vineyards and grapes, we are assured of a strong supply of high-quality wine for years to come.



Wine Country Vintners

To further enhance Andrés' strong presence in the premium wine market, a new store was opened in Niagara-on-the-Lake, Canada's prime destination for wine connoisseurs.



Cathy Kvas

Wine Country Vintners' store manager

Our Hillebrand Estates winery was the first in the region to offer wine tours, tastings, a rare vintages store and gourmet meals in one scenic location.



Midway through the year we introduced direct delivery of our VQA wines to licensed establishments in Ontario. As a result of this new program, VQA products sold through restaurants, clubs, hotels and other licensees have increased dramatically. We have also enhanced the presence of our VQA products in a number of new Ontario markets, building brand identity and consumer recognition.

Our entry into the world of e-commerce has been progressing well. Wine Country at Home is a unique method of ordering quality wines for home or office delivery through the Internet. Our Hillebrand by Request program, in which select wines chosen each month by our winemakers are delivered to subscribers, is also generating increased consumer attention.

Sales through our export channels increased significantly during the year. Growth was particularly strong in the Pacific Rim due to the performance of a newly-appointed importer and distributor in China, increased sales through duty-free stores and the listing of many of our premium and ultra-premium wines on several international airlines. Our wines are now sold in twenty-six countries around the world.

In summary, we were pleased with our performance in fiscal 2000, and are confident that the steps taken during the year position us for continued growth. Going forward, we remain focused on the same strategies that have led to our success in the past.

The Company will continue to develop consumer awareness of our full line of products at all price points by investing in our innovative sales and marketing programs. We will also focus on supporting the growth of our higher-margin premium and ultra-premium brands and exploiting the opportunities that exist in a number of export markets.

The licensee trade channel remains an important factor in building consumer awareness and brand loyalty. Andrés will continue to provide licensed establishments with a complete range of products covering all taste preferences and price points, supported by our direct delivery programs in the key Ontario market.

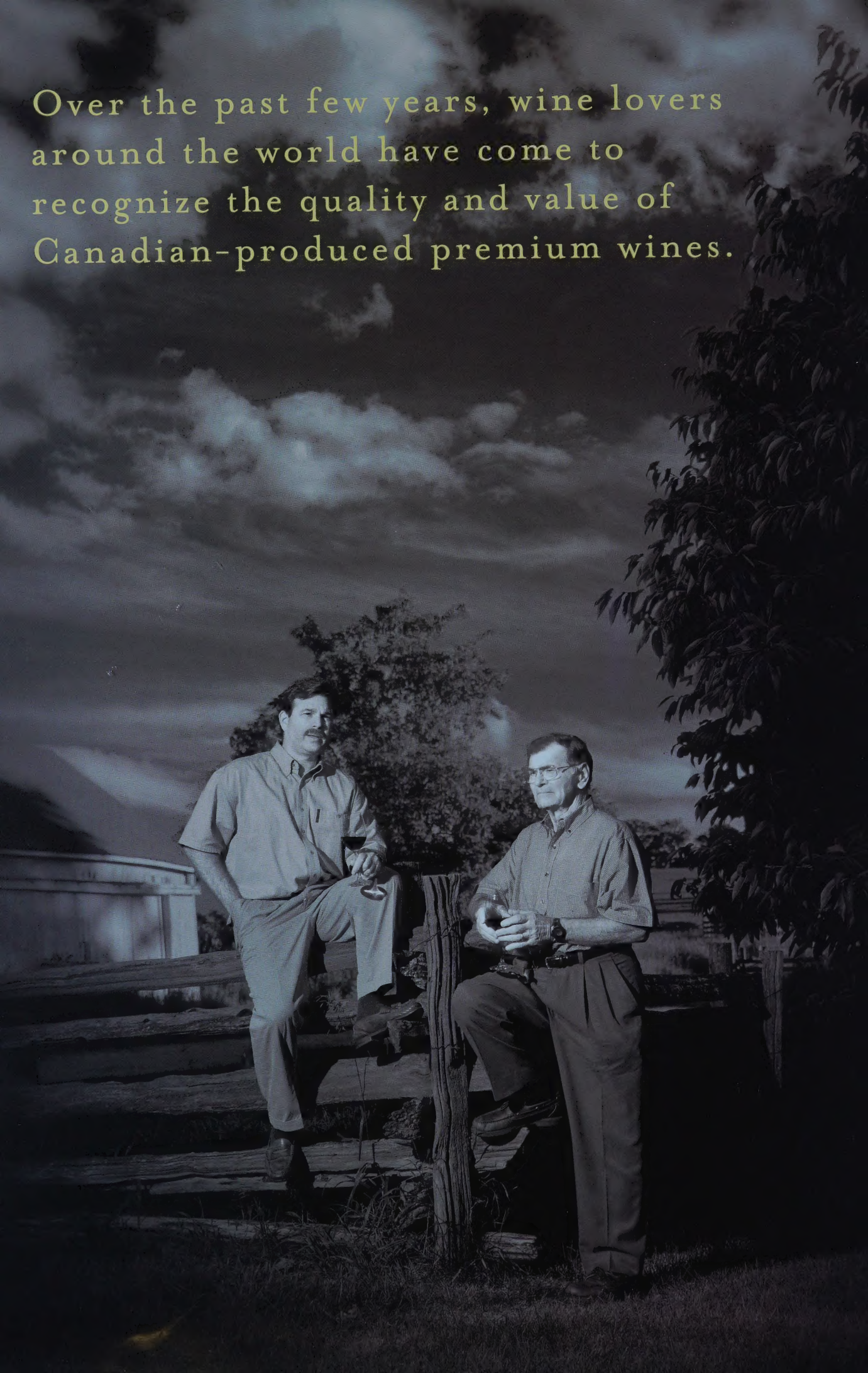
Our well-recognized chain of The Wine Shoppe retail outlets market a full range of products presented in a high-quality and convenient setting. We will continue to build our brand image by blending The Wine Shoppe's pleasant atmosphere with high-quality service and advice.



Innovative delivery program builds brand awareness

Andrés has recently introduced direct delivery of its premium VQA wines to licensed establishments throughout Ontario, building brand identity and consumer recognition.

Over the past few years, wine lovers
around the world have come to
recognize the quality and value of
Canadian-produced premium wines.



Hillebrand Estates was a pioneer in the fast-growing agri-tourism business, inviting consumers to visit its winery to learn about wine production, sample vintages, enjoy fine dining, and attend a number of special events. Andrés will apply this valuable experience to the new Peller Estates winery, capitalizing on the increasing number of wine lovers visiting the Niagara Region.

Finally, the home winemaking industry continues to grow as consumers augment their purchase of brand name wines with products made at home. Andrés will build on its position as Canada's leading supplier of quality home winemaking kits and accessories by capitalizing on a number of export opportunities in the United States and the Pacific Rim where home wine-making is just beginning to gain popularity.

Looking ahead, we remain confident that wine consumption will continue to grow, driven by demographics, a shift to lifestyle moderation that favours wine consumption, and the increasing sophistication of consumers. Andrés is committed to capitalizing on this opportunity and expanding its share of the Canadian market while generating enhanced returns through a rigorous focus on cost control.

The Canadian wine industry, however, continues to be faced with the challenge of low-priced imported products originating from countries that support their wine industries to a much larger extent than do our federal and provincial governments. Our provincial liquor control boards welcome these subsidized imports while at the same time Canadian wine producers are restricted from exporting products to these competing countries by trade policies and tariffs.

Andrés will aggressively address the international trade environment in an attempt to open all markets to fair practices and competition.

In conclusion, we want to thank all our employees for their hard work and commitment over the past year. Our success is a testament to their efforts, and we look ahead confident that the execution of our business plan will result in further growth and enhanced value for our shareholders.



John E. Peller
President and CEO



Joseph A. Peller
Chairman



Order premium wine from home on the Internet

Andrés introduced the innovative Wine Country at Home program, a unique way for consumers to order premium wines for home delivery over the Internet.





PELLER ESTATES

Peller Estates produces a fine selection of vintages that are
a true tribute to Andrew Peller's vision.

More than twenty-five years ago, a European winemaker named Andrew Peller traveled to the Niagara Peninsula with the dream to create premium quality wines in Canada, wines that would proudly bear his family name.

Today, Peller Estates has developed a fine selection of vintages that is a true tribute to and celebration of Andrew Peller's vision. The intriguing idea of family winemaking excellence spanning three generations has captured the attention of consumers and critics alike with wines of excellent quality. The building of the new Peller Estates Winery in Niagara-on-the-Lake and the development of more than 200 acres of prime vinifera vineyards are further investments to ensure that future generations of wine lovers will enjoy the fruits of Andrew Peller's lifelong dream, to create premium quality wines.

The culmination of the Peller Estates heritage lies in the premium Founder's Series of wines. All Founder's Series wines have earned the VQA designation, a testament to the highest standards from the vine to the glass, the quality of the soil and the grapes, the winemaking and, most importantly, the taste. Last year Peller Estates introduced Founder's Series Cristalle, a fine brut sparkling wine enhanced with the richness of icewine. An important entry in the premium wine segment is Oakridge, which continues to receive strong consumer response and is one of the fastest growing brands in Canada. Complementing Oakridge are the VQA CCW Cool Climate Wines which offer excellent quality at an affordable price. The Peller Estates family is rounded out with the French Cross brand in Ontario and Atlantic Canada and the Proprietor's Reserve brand in Western Canada. These affordable wines offer a smooth balanced taste, excellent quality and value and continue to grow in popularity.



Award winning premium brands

Peller Estates continues to receive international recognition as the 1998 Peller Estates Founder's Series Vidal Icewine received silver medals at the Sélections Mondiales and Grand Harvest wine competitions.

Canada's newest estate wine destination will soon be opening. The Peller Estates Winery, located in the heart of historic Niagara-on-the-Lake, will focus on showcasing the winery's exclusive premium and ultra-premium brands. It is scheduled to open in the spring of 2001.





HILLEBRAND ESTATES

With over three hundred medals awarded at competitions around the world, Hillebrand Estates is Canada's leading producer of premium VQA wines.

Founded in 1982, Hillebrand Estates Winery is Canada's leading producer of premium and ultra-premium VQA wines.

Located in Niagara-on-the-Lake, Hillebrand has combined the unique climate and growing conditions present in the Niagara region with skilled winemaking to produce award-winning varietal wines that have been extremely well received by both consumers and critics alike. Hillebrand also pioneered Niagara's production of the renowned icewine, and has produced this rare and special wine every year since 1983.

In addition to its leading portfolio of quality brands, Hillebrand Estates offers wine lovers the rare opportunity to experience the art, craft and passion of wine and wine country. Visitors are invited to sample the wines, walk in the vineyards, visit the cellars and browse the rare and special vintages in the Wine Boutique. Gourmet dining of the highest calibre is available at the beautiful Vineyard Café, while a number of special events are organized each year, including the two-day Vineyard Jazz Festival, the Vineyard Blues concert and Artisans in the Vineyard. More than 100,000 wine lovers experience Hillebrand each year.

Hillebrand's ultra-premium Trius brand has become the choice for discriminating wine collectors, and continues to win prestigious awards around the world. The popular Harvest and Collector's Choice series of VQA varietals are also experiencing growing demand. In 1988 Hillebrand opened Canada's first cellar for the production of premium, bottle-fermented sparkling wines utilizing the traditional *méthode champenoise*, and continues to produce this unique product.



Hillebrand continues to win awards at major international competitions

Hillebrand Estates remains one of Canada's most decorated wineries. The 1998 Trius Vidal Icewine won gold at Vinitaly against 2,000 other entrants, while the 1997 Trius Red received gold at the Cellars of the World International Wine Competition. Hillebrand's 1995 Trius Chardonnay Lakeshore was one of only two Canadian wines to win gold at Chardonnay du Monde in Burgundy, France.





Leading domestic and imported brands

Andrés' newest product, Vineyard Mist, enhances the varietal characteristics of wine with naturally occurring grape flavours, and has grown to become the best-selling product in the Canadian refreshment category. Frostbite, a thirst-quenching fruit cooler, was recently launched to similar acclaim across Canada.



Home Winemaking

The combination of Vineco and Brew King has transformed Andrés into Canada's leading supplier of products and accessories to the home winemaking market. Importing its grapes and juices from the world's leading wine regions, Vineco and Brew King sell their high-quality products through authorized distributors across the country. As the popularity of home winemaking grows, Andrés is exporting its products into the much less-developed United States and Pacific Rim markets. As it focuses its significant industry experience and knowledge on the home winemaking industry, Andrés is bringing leadership to an expanding business.

Both Vineco and Brew King are committed to continually raising the quality standard for producing home wine-making kits. As Canada's leading participant in this fast growing business, Andrés continues to invest in production equipment, quality control systems and people to ensure that the best quality and freshest products are delivered to its distributors and consumers.

Leading Domestic and Imported Brands

Augmenting the premium Peller Estates and Hillebrand Estates portfolio are two of Canada's top-selling popular-priced table wines. Domaine D'Or and Hochtaler continue to provide consumers with superb taste at very affordable price points. In addition, Andrés continues to build its sparkling wine portfolio, covering the complete spectrum from value-priced sparkling wines to premium bottle-fermented products. Andrés also recently re-entered the refreshment category with the introduction of Vineyard Mist, the Company's most successful new product launch to date.

Andrés has developed a strong portfolio of its own imported products from such leading wine-producing regions as California, Chile, and Australia. Brands such as Franciscan, Santa Anna, and Gold Coast continue to build a commanding presence in many major Canadian markets.

Introduction

Management's Discussion and Analysis

The following management discussion and analysis provides a review of corporate and market developments and the results of operations and financial position of Andrés Wines Ltd. ("Andrés") for the year ended March 31, 2000 ("2000") in comparison with those for the year ended March 31, 1999 ("1999"). This discussion should be read in conjunction with the consolidated financial statements and the accompanying notes.

Quebec Winery Sale

On May 31, 1999, the Company completed the sale of the operating assets of its wholly owned subsidiary, Les Vins Andrés du Québec Ltée. Consideration received included cash of \$9.0 million and a 15% interest in a continuing winery operation. Proceeds from the sale were used to decrease bank indebtedness. This investment is being accounted for by the cost method, whereby income will be recognized only to the extent that cash is received. The sale resulted in a pre-tax gain of \$7.3 million, or \$5.2 million after income taxes. Sales for the two months ended May 31, 1999 were included in the 2000 results and amounted to \$1.5 million. In 1999 Les Vins Andrés du Québec Ltée had sales of \$9.3 million.

Market Review

The overall Canadian market, including wine, wine coolers and ciders, increased 5.6% for the year to 2.73 million hectolitres. The total volume of wine sales in Canada, excluding wine coolers and ciders, increased 5.5% for the year to 2.48 million hectolitres. Sales of Canadian wines remained flat at 0.9 million hectolitres, resulting in a market share of 37.5%. Within the Canadian wine market sales of VQA wines grew at an annual rate of 7.4% to reach 24.7% of domestic wine sales.

Growth came from the red table wine, refreshment and sparkling categories. Red wine volume increased 11.7% and now represents 38.3% of the total wine market, surpassing that of white wine which declined 0.6% during the year and represents 36.8% of total wine sales in Canada. Refreshment volume grew 6.3% principally due to the introduction of varietal wine refreshment products. Sparkling wine increased by 17.4% due to increased volume sold for Millennium celebrations. Red and white varietal wine volume grew at a rate of 9.9% and now represents 29.0% of the total table wine market in Canada. Imported wines continue to increase their presence, increasing their share from 49.6% in 1999 to 51.5% in 2000. Low-priced wines are the main reason for the increase in market share of the imports.

Excluding Quebec, Andrés' volume increased 6.9% in 2000 resulting in a market share of 12.2%, up from 11.9% in 1999. Growth came from the introduction of Vineyard Mist, a varietal based wine in the refreshment category and increased sales of the Company's premium Peller Estates brand. The ultra-premium Trius and Collectors' Choice brands grew more than 61% during the year. In the wine market, excluding wine coolers and ciders, Andrés volumes increased by 2.4% due to strength in the key Ontario and British Columbia markets. Red wine volume increased 4.0%, less than a market that grew 11.7%, while white wine volume declined 0.7% in a market that declined 0.3%. In the varietal market, volume increased 2.9% from the prior year.

Brew King and Vineco increased sales by 3.6%, outperforming the market which is estimated to have grown at a rate of 3.0% in 2000.

Andrés is committed to increasing its investment in the premium wine category and continuing the introduction of new wines and refreshment products across all categories. The Company produces some of the highest-quality wines in Canada and expects to increase its share of the market in 2001.

Results of Operations

Andrés sales for the year ended March 31, 2000 declined by 1.3% or \$1.8 million to \$133.6 million from \$135.4 million in the preceding year. The decline is attributed to the sale of the Company's Quebec winery, which accounted for sales of \$9.3 million compared to sales of \$1.5 million in 2000. Excluding Quebec, the Company's sales increased by \$6.0 million or 4.8% during the year. This growth came from the successful launch of Vineyard Mist, strong performance of key brands such as Peller Estates and Domaine D'Or, increased sales from Trius and Collectors' Choice, as well as continued growth in the home winemaking segment. Sales of The Wine Shoppe also increased during the year after being negatively impacted by the Sunday openings and relocations of Liquor Control Board of Ontario stores during 1999.

Gross profit margin as a percentage of net sales decreased to 36.9% in 2000 from 38.9% in 1999. The decrease in margin is due to higher costs associated with purchasing U.S. dollars, increased price competitiveness at liquor boards across Canada and higher costs associated with the management of inventory reductions. Excluding the effect of the Quebec disposal, inventories decreased by \$3.9 million or 7.0% during the year. Strong performance at Vineco and Brew King also served to reduce gross profit margins due to the traditionally lower margins in the home winemaking segment.

Selling and administrative expenses decreased to 24.5% of net sales in 2000 from 25.9% in 1999, realizing lower administrative, marketing and sales expenses due to cost saving initiatives undertaken during the year.

EBITA decreased 6.3% to \$16.5 million for 2000 compared to \$17.7 million in 1999.

Interest expense decreased to \$2.4 million in 2000 from \$3.3 million in 1999 primarily as a result of \$9.0 million in cash received from the sale of the Quebec winery assets and lower inventory levels. Amortization decreased to \$3.8 million in 2000 from \$4.0 million in 1999.

Net earnings for the year increased to \$11.3 million from \$5.6 million in 1999. Basic and fully diluted earnings increased to \$2.39 and \$2.29 per common share respectively compared to \$1.20 and \$1.18 for the prior year. Excluding the gain on the sale of the Quebec winery, net earnings increased by 8% to \$6.1 million. Basic and fully diluted earnings per share increased to \$1.29 and \$1.25 respectively.

Excluding the disposal of the Quebec winery the return on average capital employed decreased to 11.8% from 12.5% while return on average shareholders' equity increased to 10.5% from 10.3%.

Liquidity and Capital Resources

During the year the Company generated \$12.7 million in cash flow provided from operating activities compared to \$9.8 million in 1999. Non-cash working capital decreased by \$4.1 million due to the decrease in inventory levels.

Dividends paid during the year remained at \$0.644 per Class A share and \$0.56 per Class B share. Capital additions amounted to \$6.5 million during 2000 compared to \$7.2 million in 1999. The Company continued to develop premium vinifera vineyards purchased during 1998. By the 2000 vintage management estimates that these vineyards will produce a yield of approximately 50% with full yields expected by the 2002 vintage. Capital was also invested in the upgrade of production facilities,

including the investment in upgrading the crush facilities at the Winona winery and for the installation of a point-of-sale system in The Wine Shoppe. This system will allow the Company to manage information more efficiently and enhance customer service at The Wine Shoppe stores across Ontario. During 2000 construction started on the Peller Estates Winery located in Niagara-on-the-Lake, which will be opening during the spring of 2001. Development of the Peller Estates Winery will increase the level of capital expenditures to \$12.4 million during the upcoming year.

The Company ended 2000 with bank indebtedness of \$42.2 million compared to indebtedness of \$54.9 million in 1999. The cash proceeds received on the disposal of the Quebec winery were used to reduce bank debt.

Shareholders' equity increased to \$65.0 million as at March 31, 2000 compared to \$56.3 million as at March 31, 1999. Shareholders' equity per common share increased to \$13.73 during the year from \$11.97 in 1999.

Strategic Outlook and Direction

The Company projects continued growth in 2001 as the wine market continues to expand in Canada, and Andrés is well positioned to participate in that growth. Andrés leads the industry in the production and marketing of wine in all segments of the premium wine industry in Canada.

Andrés is committed to investing in these growth opportunities through increased sales and marketing support to key brands across Canada and by increased capital expenditures in our facilities and winery equipment. The Company is optimistic that these investments will lead to increased sales and earnings. Andrés will continue to invest in the development of new products to meet the needs of our customers and consumers and will leverage investments made in The Wine Shoppe, estate wines, special events and our vineyard operations to enhance growth.

The Company will continue to evaluate investment opportunities that support its strategic direction.

Risks and Uncertainties

The sale of wine is affected by the general state of the economy and accordingly any changes in consumer confidence could have an impact on Company sales.

Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through the impact of such an occurrence on the Company's retail operations. The Ontario government has stated that, should it further consider privatization, it would engage in a consultation process and acknowledge the special role of Ontario's wine industry.

The Company relies on both the domestic production of grapes and importation of wine from countries around the world to produce and market its wines. Although the supply of grapes and wine may be impacted by weather conditions and by the general state of economic conditions, the Company has developed plans to ensure that an adequate supply of wine is available to meet demand. The Company's investment in vineyards is part of its plan to balance the risk associated with ensuring a consistent supply of domestically grown grapes.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors. Management is responsible for the integrity of the information contained in the financial statements and other sections of this annual report. The financial statements have been prepared in accordance with generally accepted accounting principles.

To assist management in discharging its responsibilities, the Company maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate and timely financial information is prepared.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board exercises these responsibilities primarily through the Audit, Finance and Risk Committee (the "Committee"). The Committee meets periodically with management and the Company's auditors to ensure that its responsibilities are properly discharged. The Committee also reviews the consolidated financial statements and recommends to the Board of Directors that the statements be approved for issuance to shareholders.


PricewaterhouseCoopers LLP, Chartered Accountants, appointed by the shareholders as the Company's auditors, have audited and expressed their opinion on the accompanying consolidated financial statements of the Company.


Auditors' Report to Shareholders


We have audited the consolidated balance sheets of Andrés Wines Ltd. as at March 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.


John E. Peller
PRESIDENT AND CEO


Peter B. Patchet
EXECUTIVE
VICE-PRESIDENT
FINANCE AND
ADMINISTRATION


CHARTERED
ACCOUNTANTS
HAMILTON, ONTARIO
MAY 26, 2000

For the years ended
March 31, 2000 and
1999, in thousands
of dollars except
per share amounts

Consolidated Statements of Earnings and Retained Earnings

	2000	1999
Sales	\$ 133,638	\$ 135,446
Cost of goods sold	84,332	82,751
Gross profit	49,306	52,695
Selling and administration	32,760	35,038
Earnings before interest and amortization	16,546	17,657
Interest	2,405	3,263
Amortization	3,817	3,951
Earnings before unusual item	10,324	10,443
Gain on sale of Quebec winery	7,290	--
Earnings before income taxes	17,614	10,443
Provision for income taxes		
Current	5,591	3,952
Future	712	838
	6,303	4,790
Net earnings for the year	11,311	5,653
Retained earnings – beginning of year	52,262	49,550
Dividends		
Class A and Class B	2,966	2,941
Retained earnings – end of year	\$ 60,607	\$ 52,262
Earnings per share		
Basic	2.39	1.20
Fully diluted	2.29	1.18

(note 7) >

As at March 31,
2000 and 1999,
in thousands of dollars

Consolidated Balance Sheets

		2000	1999
	Assets		
	Current assets		
(note 4) >	Accounts receivable	\$ 12,068	\$ 13,538
(notes 2 and 4) >	Inventories	48,062	55,581
	Prepaid expenses	857	714
		60,987	69,833
(notes 3 and 4) >	Capital assets	59,760	58,230
(note 7) >	Investment	5,485	—
		<u>\$ 126,232</u>	<u>\$ 128,063</u>
	Liabilities		
	Current liabilities		
(note 4) >	Bank indebtedness	\$ 21,024	\$ 31,733
	Accounts payable and accrued liabilities	10,557	10,721
	Dividends payable	741	735
	Income and other taxes payable	3,091	1,550
(note 4) >	Current portion of long-term debt	2,107	1,979
		<u>\$ 37,520</u>	<u>\$ 46,718</u>
(note 4) >	Long-term debt	19,053	21,160
	Future income taxes	4,632	3,920
		<u>61,205</u>	<u>71,798</u>
	Shareholders' equity		
(note 5) >	Capital stock	\$ 4,420	\$ 4,003
	Retained earnings	60,607	52,262
		<u>65,027</u>	<u>56,265</u>
		<u>\$ 126,232</u>	<u>\$ 128,063</u>

APPROVED BY THE
BOARD OF DIRECTORS


Joseph A. Peller, Director


William J. Walsh, Director

For the years ended
March 31, 2000
and 1999, in
thousands of dollars

Consolidated Statements of Cash Flows

	2000	1999
Cash provided by (used in)		
Operating activities		
Net earnings for the year	\$ 11,311	\$ 5,653
Item not affecting cash		
(note 7) > Gain on sale of Quebec winery	(7,290)	–
Loss (gain) on disposal of capital assets	69	(251)
Amortization	3,817	3,951
Future income taxes	712	838
	8,619	10,191
(note 8) > Changes in non-cash working capital items related to operations (net of effects of disposal of Quebec winery)	4,090	(367)
	12,709	9,824
Investing activities		
(note 7) > Cash proceeds from sale of Quebec winery	9,032	–
Proceeds from disposal of capital assets	4	484
Purchase of capital assets	(6,514)	(7,201)
	2,522	(6,717)
Financing activities		
Issue of Class A shares	417	49
Proceeds from bank indebtedness	–	1,646
Repayment of bank indebtedness	(10,709)	–
Repayment of long-term debt	(1,979)	(1,861)
Dividends paid	(2,960)	(2,941)
	(15,231)	(3,107)
Increase in cash during the year	–	–
Cash – beginning of year	–	–
Cash – end of year	\$ –	\$ –
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ 3,306	\$ 3,050
Income taxes	3,825	4,293

For the years ended
March 31, 2000
and 1999, in
thousands of dollars

Notes to Consolidated Financial Statements

I Accounting Policies

[A] Basis of consolidation

These financial statements include the accounts of the Company and all subsidiary companies. The purchase method has been used to account for all acquisitions. The assets and liabilities of subsidiary companies acquired are included at their fair value on acquisition.

[B] Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

[C] Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is calculated on the straight-line basis in amounts sufficient to amortize the cost of capital assets over their estimated useful lives as follows:

Buildings	2.5% per year
Vineyards	5% per year
Machinery and equipment	7.5% to 20% per year

Goodwill, representing the excess cost over the fair value of net assets acquired, is amortized on a straight-line basis over a period of up to forty years. The Company reviews the value of goodwill annually. The measurement of possible impairment is based primarily on the ability to recover the balance of goodwill from expected future operating cash flows on an undiscounted basis.

Costs of planting new vines and ongoing cultivation costs for vines not yet bearing, including interest, are capitalized. Amortization commences in the initial year the vineyard yields a commercial crop.

[D] Earnings per share

Basic earnings per Class A and Class B shares have been calculated using the weighted average number of Class A shares and Class B shares outstanding during the year.

Net earnings for the calculation of fully diluted earnings per Class A share and per Class B share have been increased by \$135 (1999 – \$98) being the after-tax effect of the investment at 7.0% (1999 – 7.0%) of the proceeds of the exercise of the stock options mentioned in Note 5, assuming they had been exercised at the beginning of the fiscal period.

[E] Segmented information

The Company and its subsidiary companies operate in a single segment, that being the production and marketing of wine products and service one geographic segment, that being Canada. A significant portion of the Company's sales are made through the liquor control boards in each province that the Company transacts business.

[F] Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

[G] Fair value of financial instruments

Accounts receivable, accounts payable and accrued liabilities are reflected in these consolidated financial statements at carrying values which approximate fair values because of the short-term maturities of these instruments. Bank indebtedness, including long-term debt, bears interest at current rates of interest; as a result its carrying value approximates its fair value.

[H] Income taxes

The Company follows the liability method of accounting for income taxes based on temporary differences. Future income taxes are provided for all temporary differences between the financial reporting and tax bases of assets and liabilities. Future income tax expense represents the change during the period in future income tax assets and future income tax liabilities.

[I] Investment

The investment in Maison des Futailles, LP is accounted for by the cost method, whereby income is recognized only to the extent received.

[J] Stock-based compensation plans

The Company has a stock-based compensation plan for executives and directors, which became effective on February 11, 1987 and was amended effective June 5, 1996. This plan is described in Note 5. No compensation expense is recognized for these plans when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

[K] Statement of cash flows

The statement of changes in financial position for the year ended March 31, 1999 has been restated to conform with the new recommendation on cash flow statements issued by the Canadian Institute of Chartered Accountants.

2 Inventories

	2000	1999
Packaging materials and supplies	\$ 5,800	\$ 5,938
Bulk wine	27,847	32,778
Finished goods	14,415	16,865
	<u>\$ 48,062</u>	<u>\$ 55,581</u>

3 Capital assets

	2000			1999		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Land	\$ 2,349	\$ –	\$ 2,349	\$ 2,411	\$ –	\$ 2,411
Vineyards	5,937	–	5,937	4,375	–	4,375
Buildings	17,181	4,971	12,210	17,201	5,318	11,883
Machinery and equipment	38,914	21,744	17,170	39,044	22,348	16,696
Goodwill	25,000	2,906	22,094	25,000	2,135	22,865
	<u>\$ 89,381</u>	<u>\$ 29,621</u>	<u>\$ 59,760</u>	<u>\$ 88,031</u>	<u>\$ 29,801</u>	<u>\$ 58,230</u>

During 2000, interest capitalized associated with vineyards amounted to \$248 (1999 – \$177).

4 Bank indebtedness

	2000	1999
Term bank loan	\$ 21,160	\$ 23,139
Less: current portion	2,107	1,979
	<u>\$ 19,053</u>	<u>\$ 21,160</u>

The Company has established three separate credit facilities with the Royal Bank of Canada as follows:

A demand loan facility with a borrowing limit of \$38,000 (1999 — \$43,000), which incurs interest at the Royal Bank of Canada prime rate. As at March 31, 2000, the unused portion of this facility was \$16,976 (1999 — \$11,267). A term facility, which incurs interest at 6.235%, requires blended monthly payments of principal and interest in the amount of \$281 and is due March 9, 2003. Interest on long-term debt amounted to \$1,387 (1999 — \$1,506). A term facility, with a borrowing limit of \$8,000, to be used to finance specific capital projects, which incurs interest at the Royal Bank of Canada prime rate plus one quarter percent. As at March 31, 2000, this facility was not utilized. The Company and its subsidiary companies have provided a first charge on accounts receivable and inventories and a fixed and floating charge on capital assets as security for its loan facilities.

Annual principal repayments for the years ending March 31 are as follows:

2001	\$ 2,107
2002	2,242
2003	<u>16,811</u>
	<u>\$ 21,160</u>

5 Capital stock (in thousands of dollars except for share amounts)

	Authorized	Issued		Issued	
		Shares	2000	Shares	1999
Class A shares, non-voting	Unlimited	3,726,610	\$ 4,016	3,687,510	\$ 3,598
Class B shares, voting	Unlimited	1,010,444	404	1,012,444	405
		<u>4,737,054</u>	<u>\$ 4,420</u>	<u>4,699,954</u>	<u>\$ 4,003</u>

Class A shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B shares. Class B shares are voting and convertible into Class A shares on a one-for-one basis. During 2000, 2,000 Class B shares were converted to Class A shares (1999 — Nil).

Stock option plan

The Company has a stock option plan for executives and directors. All options under this plan are for a term of five years from the date of the grant. They become exercisable with respect to 25% of the total number of shares subject to the option immediately and 25% on each of the three successive anniversaries of the date of the grant. Options are subject to certain conditions of service. The following options are outstanding as at March 31:

Number of shares subject to option			Exercise price per share	Option expiry date
2000	1999			
24,350	65,600		\$11.25	June 5, 2001
11,550	11,550		\$13.50	October 30, 2001
12,000	92,900		\$16.00	February 5, 2002
77,100	—		\$13.00	February 5, 2002
128,000	—		\$13.00	June 11, 2005
<u>253,000</u>	<u>170,050</u>			

5 Capital stock (continued)

During 2000, 128,000 options to purchase Class A shares were issued (1999 – nil), 77,100 were repriced (1999 – nil), 37,100 were exercised (1999 – 4,300) for proceeds of \$417 (1999 – \$49) and 3,800 (1999 – nil) expired. During 2000, there were 4,150 stock appreciation rights exercised (1999 – 11,300). The costs associated with the exercise of the rights of \$47 were expensed in 2000 (1999 – \$103). As at March 31, 2000, 157,000 (1999 – 114,575) options are currently exercisable, under terms of the stock option plan.

6 Commitments

Future minimum lease payments as at March 31, 2000 under long-term non-cancellable leases amounted to \$3,637 and for each of the next five years are as follows:

2001	\$ 1,745
2002	998
2003	58
2004	237
2005	<u>72</u>
	<u>\$ 3,637</u>

7 Gain on sale of Quebec winery

On May 31, 1999, the Company completed the sale of the net operating assets of its wholly-owned subsidiary, Les Vins André du Québec Ltée. Consideration received amounted to \$14,517, including cash of \$9,032 and a 15% interest in a continuing winery operation. The sale resulted in a gain of \$7,290 (after-tax \$5,200), net of related transaction costs amounting to \$1,295. During 2000, the Company received nil income.

The Quebec winery net assets disposed of include net working capital items of \$4,838 and net capital assets of \$1,094.

8 Non-cash working capital items

The change in non-cash working capital is comprised of the change in the following items:

	<u>2000</u>	<u>1999</u>
Accounts receivable	\$ 58	\$ 753
Inventories	3,909	(171)
Prepaid expenses	(208)	457
Accounts payable and accrued liabilities	(1,210)	(2,066)
Income and other taxes payable	<u>1,541</u>	<u>660</u>
	<u>\$ 4,090</u>	<u>\$ (367)</u>

Ten Year Summary

(thousands of
dollars except per
share amounts)

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Sales and earnings										
Net sales	\$ 133,638 ⁽²⁾	\$ 135,446	\$ 118,668	\$ 98,139	\$ 79,486	\$ 70,601	\$ 55,835	\$ 56,360	\$ 55,803	\$ 52,634
Earnings before interest and income taxes	12,729	13,706	13,377	11,660	9,648	7,735	6,797	7,652	8,046	7,815
Net earnings	11,311 ⁽³⁾	5,653	6,732	6,507	5,420	4,166	4,048	4,426	4,616	4,467
Financial position										
Working capital	\$ 23,467	\$ 23,115	\$ 24,512	\$ 19,245	\$ 24,638	\$ 21,676	\$ 31,863	\$ 41,148	\$ 39,278	\$ 37,419
Total assets	126,232	128,063	126,085	74,770	57,056	54,486	49,930	57,208	55,501	54,249
Shareholders' equity	65,027 ⁽³⁾	56,265	53,504	49,204	45,404	42,415	40,990	48,981	46,911	44,903
Per share										
Earnings										
– Basic	\$ 2.39 ⁽³⁾	\$ 1.20	\$ 1.44	\$ 1.40	\$ 1.17	\$ 0.90	\$ 0.88	\$ 0.99	\$ 1.03	\$ 1.00
– Fully diluted	2.29	1.18	1.40	1.38	1.17	0.89	0.87	0.96	1.00	1.00
Dividends (1)										
– Class A shares, non-voting	\$ 0.644	\$ 0.644	\$ 0.644	\$ 0.598	\$ 0.598	\$ 0.598	\$ 2.898	\$ 0.598	\$ 0.598	\$ 0.598
– Class B shares, voting	\$ 0.560	\$ 0.560	\$ 0.560	\$ 0.520	\$ 0.520	\$ 0.520	\$ 2.520	\$ 0.520	\$ 0.520	\$ 0.520
Number of shares outstanding										
Class A shares, non-voting	3,726,610	3,687,510	3,683,210	3,646,060	3,645,060	3,602,160	3,564,960	3,461,960	3,431,560	3,431,560
Class B shares, voting	1,010,444	1,012,444	1,012,444	1,013,344	1,041,344	1,027,244	1,028,444	1,029,944	1,030,344	1,030,344
	<u>4,737,054</u>	<u>4,699,954</u>	<u>4,695,654</u>	<u>4,659,404</u>	<u>4,686,404</u>	<u>4,629,404</u>	<u>4,593,404</u>	<u>4,491,904</u>	<u>4,461,904</u>	<u>4,461,904</u>
Other information										
Return on average shareholders' equity	10.5%	10.3%	13.1%	13.8%	12.3%	10.0%	9.0%	9.3%	10.1%	10.2%
Return on average capital employed	11.8%	12.5%	16.0%	22.3%	20.7%	17.4%	14.7%	15.5%	16.9%	17.1%

(1) Dividends for the year ended March 31, 1994 reflect a special dividend of \$2.30 per Class A share and \$2.00 per Class B share.

(2) Includes two months net sales of Quebec operations sold May 31, 1999.

(3) Includes gain of \$5.2 million from sale of Quebec winery.

Shareholder Information

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Toronto, Ontario
President and Co-CEO
Bedford Capital Corporation

William A. Cochrane, O.C., M.D.
Calgary, Alberta
President
W. A. Cochrane & Associates

Lori C. Covert
Halifax, Nova Scotia
Chief Executive Officer
Vantage Communications Inc.

C. William Daniel, O.C.
Toronto, Ontario
Corporate Director

Graham R. Dawson
Vancouver, British Columbia
President
G. R. Dawson Holdings Limited

John F. Petch, Q.C.
Toronto, Ontario
Vice Chairman and Senior Partner
Osler, Hoskin & Harcourt

A. Angus Peller, M.D.
Canandaigua, New York
Family Physician

Joseph A. Peller, M.D.
Rockwood, Ontario
Chairman
Andrés Wines Ltd.

John E. Peller
Burlington, Ontario
President and
Chief Executive Officer
Andrés Wines Ltd.

William J. Walsh, M.D.
Hamilton, Ontario
Emeritus Professor of Medicine
McMaster University

Honorary Directors

Carlisle Norwood
Mahone Bay, Nova Scotia

Ralph M. Logan
Halifax, Nova Scotia

Stock Exchange

Toronto
Symbols: ADW.A, ADW.B

Registrar and Transfer Agent

Computershare Investor
Services Inc.
Montreal, Toronto, Calgary,
Vancouver

Auditors

PricewaterhouseCoopers LLP

Banker

Royal Bank of Canada

Shareholder Inquiries

Computershare Investor Services Inc. operates a telephone information line for inquiries regarding change of address, stock transfer, registered shareholdings, dividends and lost certificates, which can be reached by dialing 1-416-981-9633.

Investor Relations

For additional information regarding the Company's activities please contact: Peter B. Patchet, Executive Vice-President Finance and Administration.

Officers

John E. Peller
President and
Chief Executive Officer

Anthony M. Bristow
Executive Vice-President Sales

M. Chrystine Cappadocia
Executive Vice-President Marketing

Robert W. Davis
Executive Vice-President Retail
and Estate Wines

Larry G. Gibson
Vice-President Viticulture

Peter B. Patchet
Executive Vice-President Finance
and Administration

David E. Ringler
Executive Vice-President
Operations

John K. Simmonds
Vice-President Retail Operations
and Executive Director Wine Shoppe

Robert P. Van Wely
President, Brew King Limited and
Vineco International Products Ltd.

2000 Annual Shareholders Meeting

The 2000 Annual Meeting of shareholders will be held at the Hillebrand Estates Winery, 1249 Niagara Stone Road (Highway 55), Niagara-on-the-Lake, Ontario on Thursday, September 7, 2000 at 3:00 pm.

ANDRĒS

